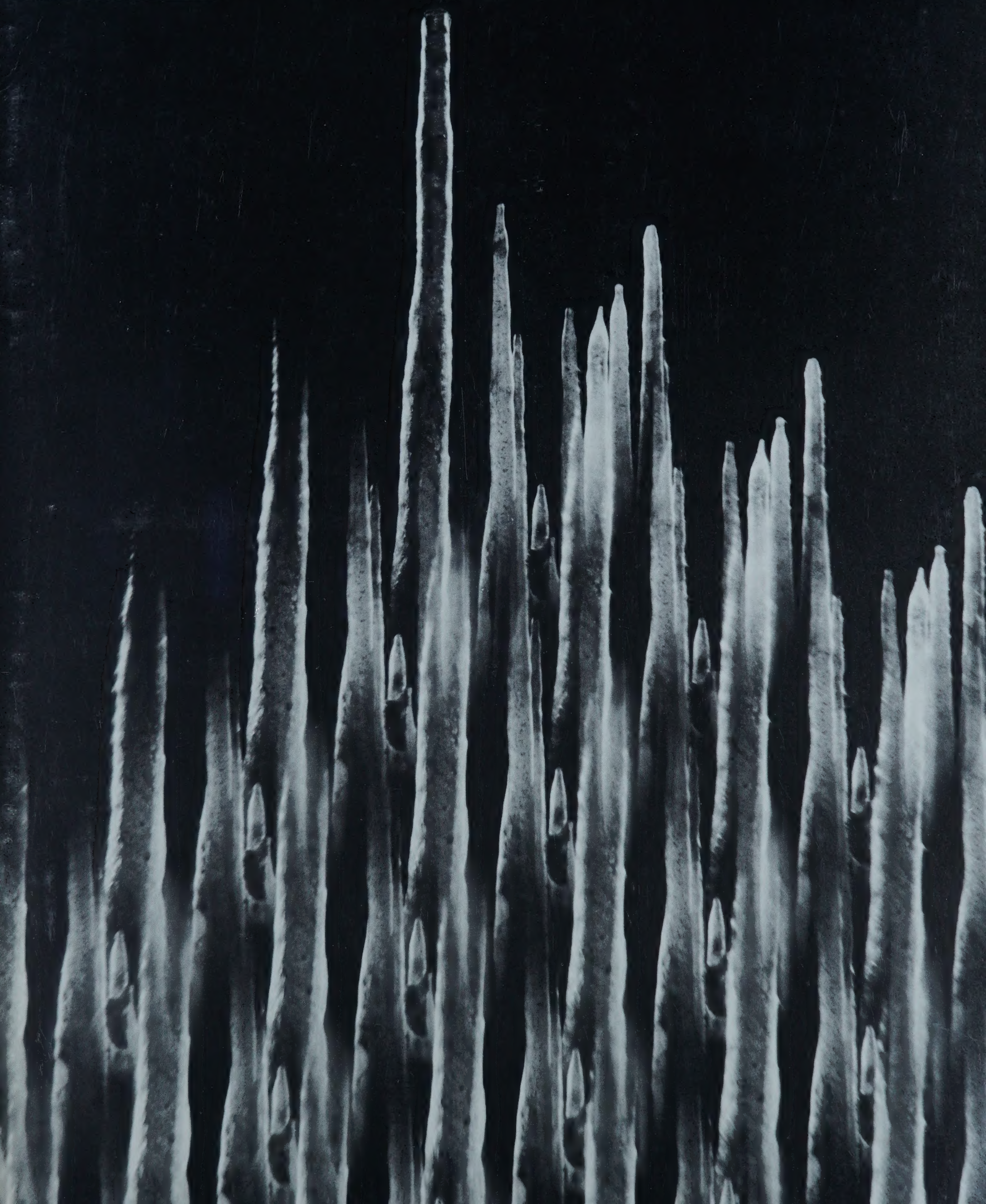
C.H. HEIST CORP. 1974



C. H. Heist Corp.

C. H. Heist Corp. provides industrial maintenance services to heavy industry. Our primary service is performed by the use of mobile Hydrocleaning units which remove deposits, encrustations, obstructions and residues from process equipment. We are also engaged in sandblasting, painting and the removal of industrial wastes. Our customers are among the largest corporations in the United States and Canada.

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Cover: Pictured on the cover are styrene encrustations which had formed on a vessel used by a chemical manufacturer. A Heist crew removed these deposits from the surfaces of the vessel and returned the equipment to service.

Financial Highlights
Years ended June 30

"While the outstanding increases achieved in fiscal 1974 will be difficult to attain this year, nevertheless, I fully expect that 1975 will be another record year — and by a healthy margin."

— C. H. Heist, Chairman of the Board

	1974	1973	Increase
Net Sales	$15,891,000	$10,642,000	49%
Earnings Before Income Taxes	1,947,000	873,000	123%
Net Earnings	1,058,000	519,000	104%
Earnings Per Share	$.85	$.42	103%
Return On Stockholders' Equity	27.7%	15.7%	—

To Our Shareholders:

In last year's annual report, I expressed my judgment that we would have a highly successful fiscal 1974, and that sales would increase by more than our historical compounded growth rate. With a sales increase of almost 50% this year, we exceeded that projection by a substantial margin. More importantly, our profits showed a dramatic increase to over $1,000,000, despite a higher effective tax rate. And, while we added approximately $2,700,000 in new equipment, we continue to maintain a strong balance sheet.

In this year's report, Willard Foster, Executive Vice President, will comment on certain operational highlights, while Richard O'Neil, Treasurer, will discuss financial matters. Our Five-year Review on page 16 tells a lot about our progress, and our quarterly performance is detailed on the rear cover. Accordingly, I will limit myself to a discussion of two basic themes which I believe are essential to an understanding of both this year's progress and the future of our Company.

Demand for Heist's maintenance services continues to grow. As we pointed out last year, it is far less costly to increase plant capacity by increasing efficiency of operations than by incurring heavy capital expenditures to add facilities.

While Heist happens to benefit from both approaches, a significant portion of increased demand for our services may be attributed to the demand being placed on the plant capacities of the basic industries which we service. Many of these industries, notably the refining and electric utility industries, experienced enormous demand for their products and services during the year. This, in turn, created increased demand for Heist's maintenance services.

In fact, increased business with refineries and utilities accounted for approximately 50% of our increase in revenues. Moreover, many industries which we serve are using antiquated plants and equipment — previously scheduled to be taken out of service — in order to meet demand. This, too, results in increased need for our services.

Indeed, the basic industries which we serve are all straining capacity to meet demand at this point in time. The following table indicates our approximate sales breakdown by major industrial category:

INDUSTRY	1974	1973
Chemical	47%	50%
Refining	26%	20%
Steel	12%	17%
Utilities	8.5%	8%
Other	6.5%	5%

Looking ahead, based on our analysis of trends in the domestic and Canadian economies, there are no signs that demand for our services will subside. Announced plant expansions in these industries — just in our present and planned operating areas alone — are substantial. Our conclusions are, therefore, that demand for our industrial maintenance services should continue to grow. Indeed, while there is much talk of a recession at this time, we are fortunate in that we have not yet witnessed any signs of softening in the business. In fact, we experienced the third largest week in our history during the month of August.

Hydrocleaning by Heist is the most cost-effective, safe, and non-polluting method of industrial maintenance-cleaning. The contract or maintenance manager of a major industrial plant is mainly interested in finding a reliable and inexpensive method of restoring to efficient production levels the process equipment which periodically becomes clogged or

inefficient due to excessive build-up of residues. Most maintenance-cleaning of process equipment is planned on a periodic basis, although much of it is done on an emergency basis as well.

Our Hydrocleaning units, utilizing up to 15,000 pounds per square inch of high-pressure water and specially designed nozzles, have often succeeded in cleaning equipment where chemical and mechanical methods have been unable to do so. Our mobile units generally complete the job in a fraction of the time required by other methods, with no risk of chemical damage to the equipment being cleaned. The savings generated by this reduced "downtime" more than justifies the use of our Hydrocleaning services.

Furthermore, Hydrocleaning does not create the same dangerous conditions caused by cleaning with acid, thus enabling other plant personnel to continue their functions near the equipment being cleaned. Lastly, once process equipment has undergone chemical cleaning, the plant frequently has great difficulty in disposing of the polluting chemical wastes. Local and federal pollution control regulations pose none of these problems in the case of Hydrocleaning, since the only new cleaning element which we introduce is water.

Despite these obvious advantages of Hydrocleaning, when we enter new areas of the country, such as the Gulf Coast, which we began to open up in late 1971, we find that people are sometimes skeptical about cleaning with high-pressure water, and that they are slow to change from the traditional cleaning methods. The important thing to us is that they do change, and once they have been converted, they not only become regular customers, but they also tend to expand the scope of our cleaning services. This was the way things went in the Gulf coast. It was slow to accept Hydrocleaning at first. However, we are now firmly established there, and the area is now a significant contributor to profits.

* * *

Your Company has entered fiscal 1975 in the strongest business position in its 25-year history. Our competitive position — fortified by an expanding network of area offices, the largest Hydrocleaning fleet in the country and hundreds of trained personnel — is excellent. Our know-how and technology — backed by a significant research and development effort — is unsurpassed. And more importantly, our reputation with the many "Fortune 500" companies we have been serving for many years is the highest. While the increases achieved in fiscal 1974 will be difficult to attain this year, nevertheless, I fully expect that 1975 will be another record year — and by a healthy margin.

During the year we were fortunate to have a number of outstanding people join the Company. I am particularly pleased that Mr. Robert J. Goodwin has become Director of Research and Development. Mr. Goodwin came to us from Gulf Research and Development Company, a subsidiary of Gulf Oil Corp. He holds numerous patents and has great experience in the uses of high pressure water. Under his leadership, our increased research and development efforts should help us further advance our superiority in this field, thus securing and expanding the market for our Hydrocleaning services.

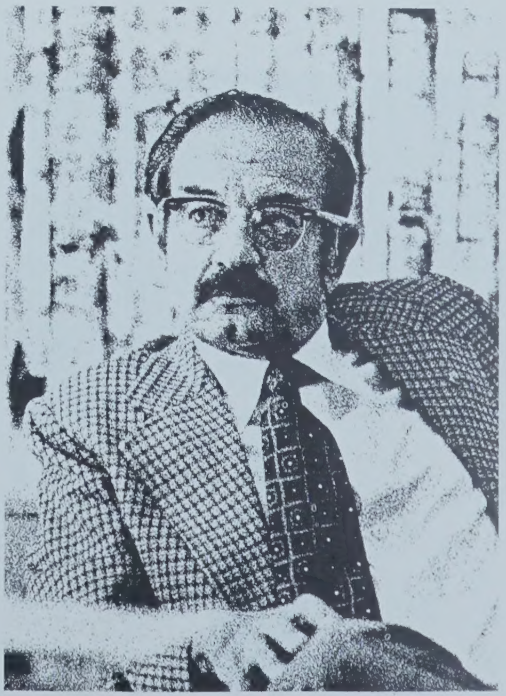
I would also like to welcome Mr. F. Kenneth Iverson to our Board of Directors. Mr. Iverson is President of Nucor Corporation of Charlotte, N.C. He became President of Nucor in 1965 when its sales were slightly over $25 million. Last year Nucor sales reached $113 million and profits reached a record high. His experience in guiding a publicly-owned company through this exciting growth phase will be very valuable to Heist.

This has been a distressing year for most of the 30,000,000 Americans who have invested in common stocks. The securities market has failed to accord to our Company, and to many others, a fair measure of its inherent value. While I am hopeful that high interest rates and the inflationary economy will eventually be brought under control, I am confident that C. H. Heist Corp. will continue to grow in any event, and that the loyalty of our shareholders will be rewarded.

Sincerely,

C. H. Heist
Chairman of the Board

Asheville, North Carolina
September 6, 1974



Willard F. Foster
Executive Vice President

In this section I will comment on our operations during the year. I have not attempted to be exhaustive, but rather, I have identified several areas which should be of interest to our shareholders.

Expansion of our area offices

During fiscal 1973, we opened seven new area offices and three new regional offices. The costs associated with this expansion were reflected in last year's earnings. However, the actual benefits of that expansion began to be reflected in our results this year. Almost all of these new offices are now contributing to profits and, as a group, the seven area offices contributed 11% to 1974 sales. We opened only two new offices in fiscal 1974, concentrating instead on improving the performance of area offices already in place. After careful review of its potential, one area office — Nova Scotia — was closed down, and the equipment and men were immediately put into operation in other areas.

Among the reasons for our expansion into more temperate geographic areas was our desire to minimize the corporate impact of the seasonal decline in business which we experience in our northeastern area offices during the winter months. The results of our third quarter indicate that this program is succeeding.

While we are planning to open four new area offices during fiscal 1975, the openings will be spread over a larger operational base, and the effect on earnings growth should be less significant.

Fleet Expansion

As the five-year review indicates, capital expenditures during fiscal 1974 amounted to $2,674,000. Almost all of these funds were allocated to the expansion of our Hydrocleaning, sandblasting and vacuum fleets. At year end, our total fleet consisted of over 300 units, up from the 209 in operation at the close of fiscal 1973.

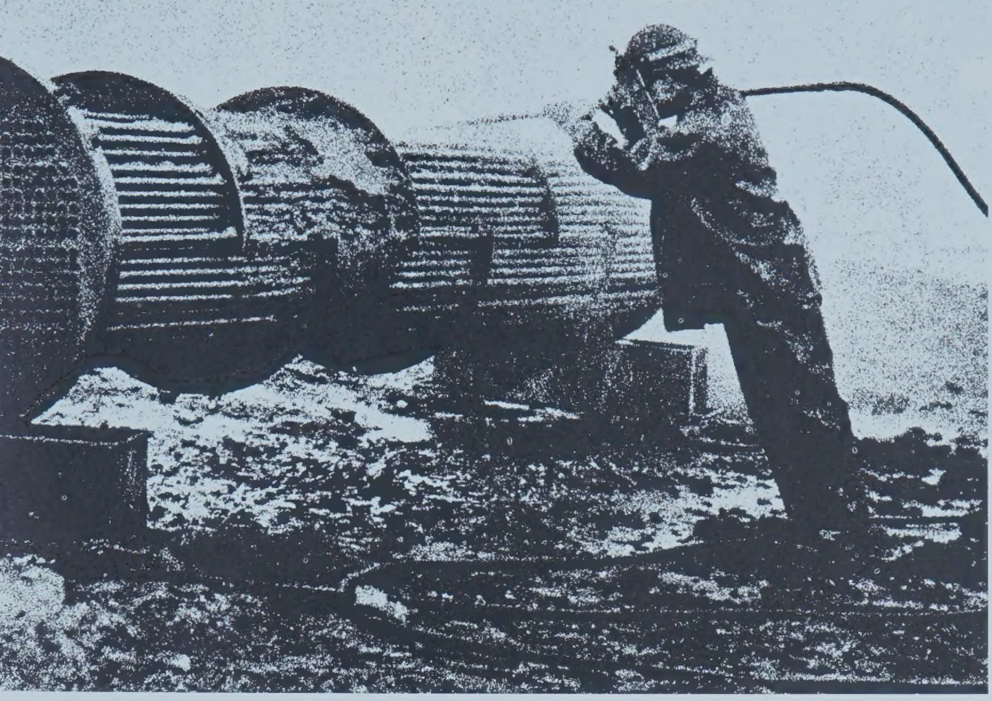
We purchase from others most of the parts necessary to manufacture our Hydrocleaning and sandblasting units. Despite slower deliveries, we were able to produce a record quantity of new equipment, while performing major overhauls of older equipment. For fiscal 1975, we have presently budgeted approximately $2.0 million for further expansion of the fleet.

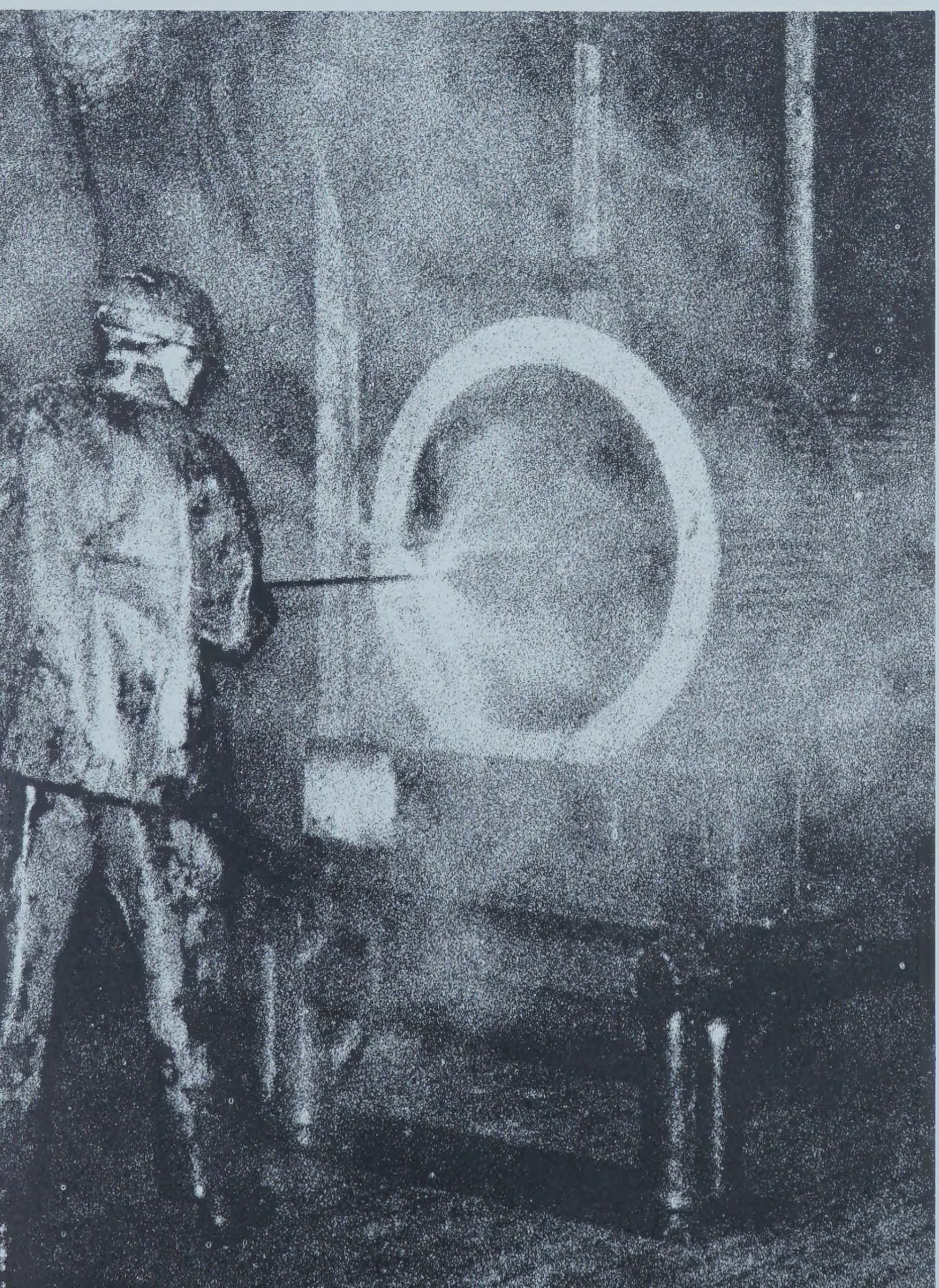
Price Increases

All of our Hydrocleaning contracts provide for a pass-through of increased labor costs. Presently, all long-term contracts also provide customers with a discount based upon usage of the service. New contracts also call for adjustments in the event that we experience increased equipment costs. Our customers are aware that, just as their expenses have increased for raw materials and labor, so have ours. Accordingly, reactions to the modest price increases instituted during the year have been favorable. Thus, 1974 was a record year not only in terms of unit volume but also in dollar sales.

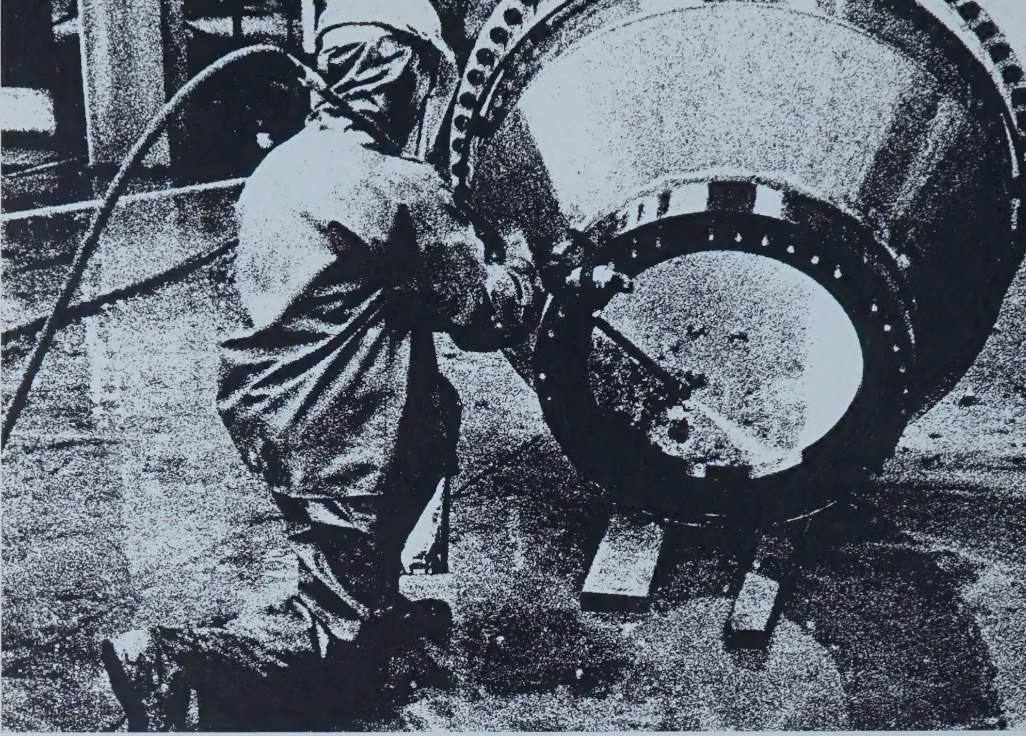
Canada

On the whole, Canadian operations were





A HEIST crew member removes encrustations from the shell side(above) and from the interior (below) of two large heat exchangers, using water pressures of up to 10,000 pounds per square inch.



strong and improved significantly during the year, accounting for approximately 40% of sales and 35.6% of net earnings. Thus, on a 26.8% increase in sales, Canada was able to generate almost an 87% increase in profits. However, after-tax margins barely exceeded 4%. For this reason, steps have been taken to ensure future growth, including the closing of our Nova Scotia office and the implementation of certain managerial changes.

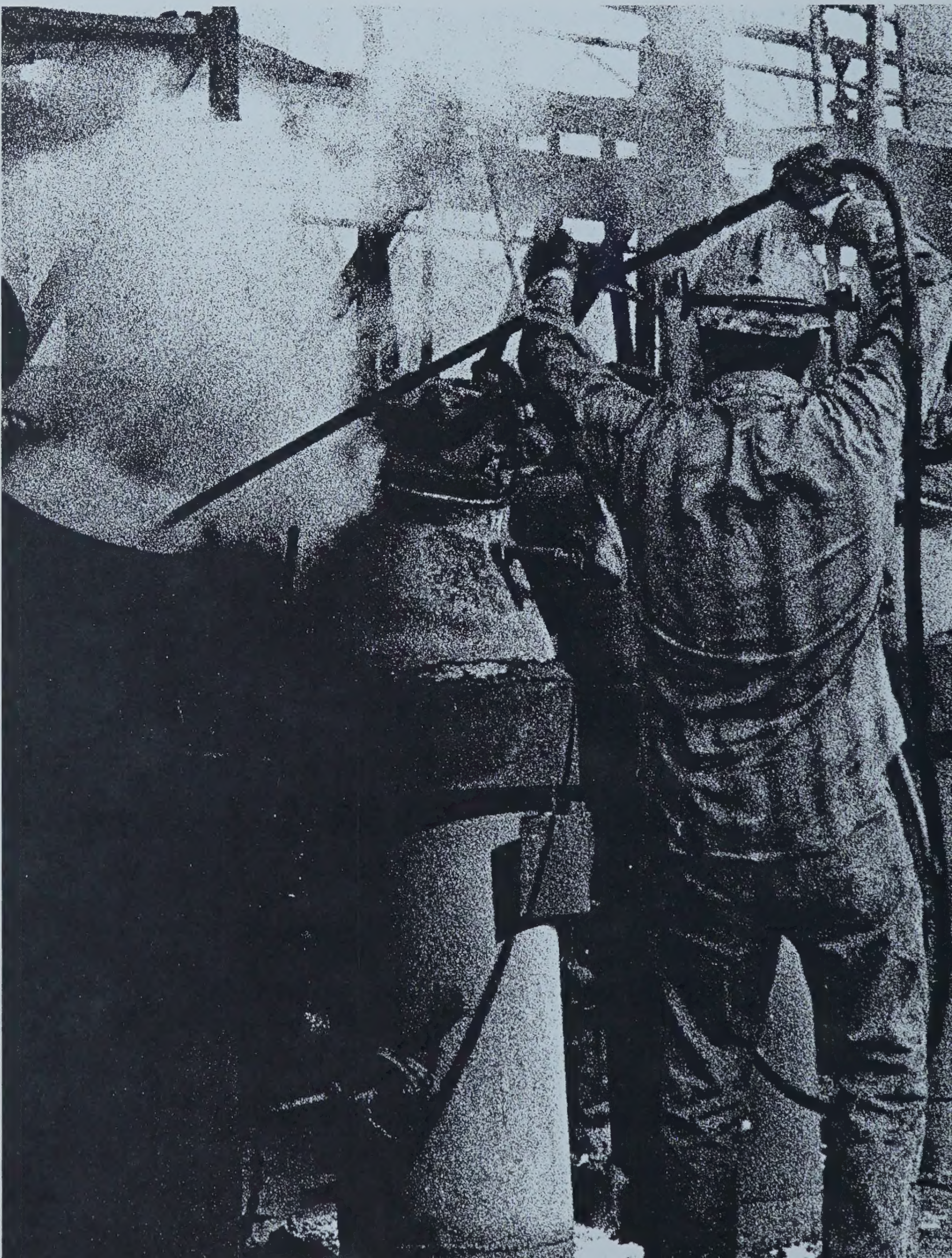
Most significantly, in May of this year, Andrew R. Crowe, who formerly served as Vice President-Operations, was appointed Executive Vice President of our Canadian operations. Mr. Crowe, who has been with us for over 10 years, brings to Canada all the management expertise required to continue the progress which is underway there.

Labor

Although several labor contracts were successfully negotiated during the year, we closed the year with a work stoppage in our Sarnia office. While we are hopeful that this dispute will be resolved before long, nevertheless, we were able to promptly dispatch substantially all of our Sarnia equipment to other operating areas. Accordingly, we anticipate no significant loss of revenues or profits due to this occurrence.

Safety Program

We devoted a significant amount of time and energy to a revamping of our safety program during the year. Management has been working closely with the appropriate governmental agencies to develop safety specifications for Hydrocleaning procedures. A full-time safety coordinator was appointed in the fall of 1973, and under his supervision, we produced a very effective employee safety manual. The combined effect of our efforts was to produce a year with no significant accidents to those personnel who work under potentially dangerous conditions.



(Left) HEIST crews regularly Hydroclean a wide variety of process equipment.

(Below left) A HEIST crew member blasts away carbonaceous material from the gooseneck and ascension pipes used in a coke plant.

(Below) A HEIST crew member sand-blasts parts for a manufacturer of truck components.

Financial Review

As pointed out in Dick Heist's message our financial position at the close of the year was strong. To facilitate a review of our position and our progress, we have included an extensive analysis of our performance over the past five years in statistical form on page 16, as well as a comparative analysis of quarterly performance on the rear cover.

In summary, the balance sheet ratios applicable to our type of business, as well as the performance ratios, were excellent. We financed our expansion through increased cash flow, as well as by incurring long-term bank indebtedness. This indebtedness, which stood at $1.0 million at year end, may be increased to $3.0 million under the terms of a revolving credit and term loan agreement which is now being formalized. Our planned capital expenditures and increased business during fiscal 1975 will be financed through our substantial cash flow from operations, as well as through the use of these existing credit facilities.

Unfortunately, at our balance sheet date, the collection period of receivables increased from 52 to 69 days. During the following month, the collection period returned to the more normal level of 59 days.

Following our 1973 expansion, we received many questions concerning the impact of opening new area offices on our operating statement. I felt that our stockholders would be interested in seeing the operating results of a "typical" new area office.

Analysis of New Area Office Performance

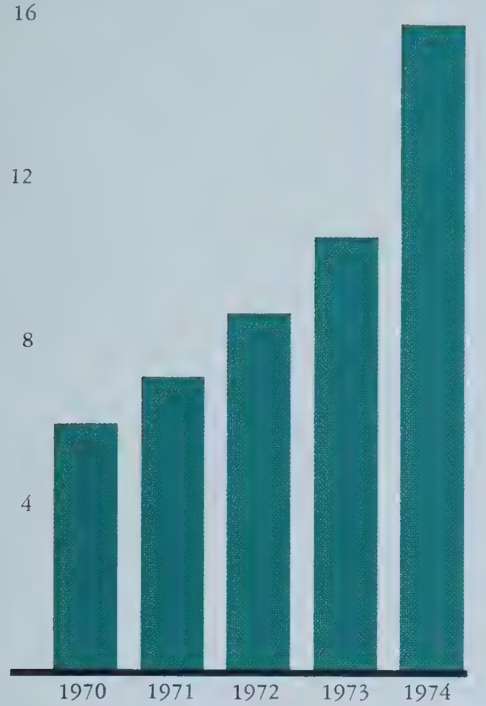
Month	Revenues	Costs	Profit/(Loss)*	Cumulative Profit/(Loss)*
1	$ —	$ 2,000	$(2,000)	(2,000)
2	2,000	2,500	(500)	(2,500)
3	2,500	2,700	(200)	(2,700)
4	6,800	6,800	—	(2,700)
5	400	3,000	(2,600)	(5,300)
6	2,800	4,000	(1,200)	(6,500)
7	4,800	7,200	(2,400)	(8,900)
8	15,000	16,000	(1,000)	(9,900)
9	8,000	10,000	(2,000)	(11,900)
10	32,000	24,200	7,800	(4,100)
11	4,400	5,600	(1,200)	(5,300)
12	23,200	20,500	2,700	(2,600)
13	10,600	10,700	(100)	(2,700)
14	5,800	8,400	(2,600)	(5,300)
15	33,500	15,500	18,000	12,700
16	16,440	11,980	4,460	17,160
Totals	$168,240	$151,080	$17,160	

*Before Corporate overhead and taxes.

Accordingly, the chart above sets forth the actual performance of one of our area offices during its first 16 months of operation. The build-up of personnel and equipment is gradual, with peaks met by borrowing personnel and equipment from nearby areas. The peaks represent scheduled turn-arounds of facilities. Our ability to control variable expenses and the low rate of fixed overhead is also evident. While some area offices take longer to reach this point, this chart is representative of our judgment as to the probable performance of a typical new area office. The performance of each new area office will, of course, differ, based upon such variable factors as equipment, personnel, the distance from others of our area offices, and the prior establishment of customer relationships in the new area.

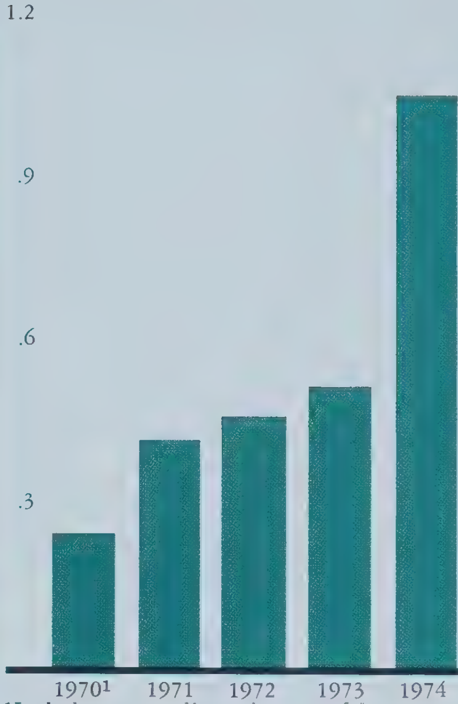
Richard J. O'Neil
Treasurer

Net Sales
millions of dollars



Net sales were $15,891,000, an increase of $5,249,000 or 49% over sales for 1973. This was the twelfth consecutive year in which sales reached new highs.

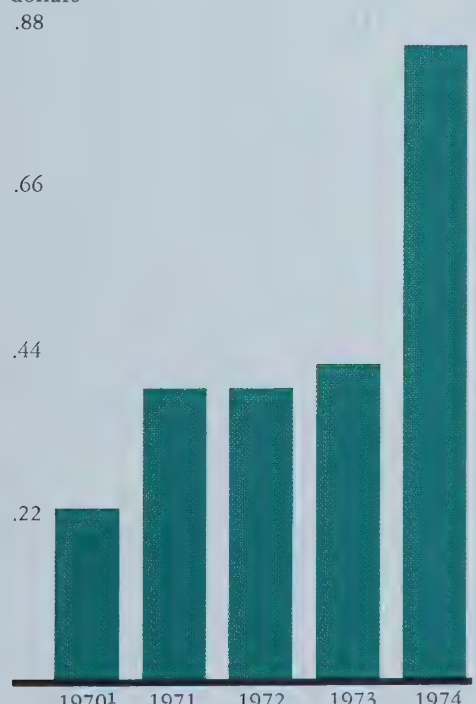
Net Earnings
millions of dollars



[1]Includes extraordinary income of $19,000

Net earnings increased to $1,058,000, an increase of 104% over the earnings of $519,000 reported for last year. This growth in earnings was accomplished in a period when our effective tax rate increased from 40.5% applicable last year to 45.6% for fiscal 1974.

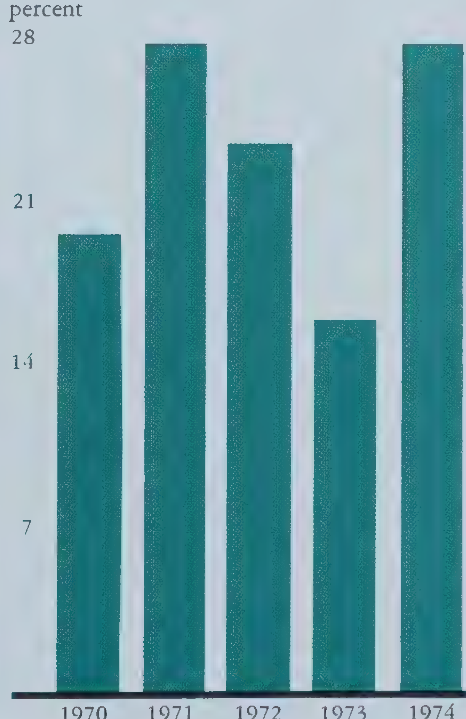
Earnings Per Share
dollars



[1]Includes extraordinary income of $.02 per share

Earnings per share doubled to $.85 per share, as compared to $.42 per share reported last year. There were no extraordinary or unusual items included in earnings in either year.

Return On Shareholders' Equity
percent



Return on beginning shareholder's equity reached 27.7%, a significant improvement over the 15.7% recorded last year. This important financial measurement has averaged 22.6% over the past five years.

Consolidated Balance Sheets

June 30, 1974 and 1973

Assets	1974	1973
Current assets:		
Cash	$ 191,856	$ 405,495
Receivables:		
Trade accounts	3,034,481	1,519,012
Other	45,918	52,376
	3,080,399	1,571,388
Less allowance for doubtful receivables	61,095	3,180
Total receivables	3,019,304	1,568,208
Services in progress	370,275	231,231
Parts and supplies, at cost	410,021	279,174
Prepaid expenses	91,269	45,295
Total current assets	4,082,725	2,529,403
Property, plant and equipment, at cost less accumulated depreciation (notes 2 and 3)	5,043,603	3,131,766
Other assets	22,770	17,390
	$9,149,098	$5,678,559

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity	1974	1973
Current liabilities:		
Notes payable to bank (note 3)	$ 525,000	$ 500,000
Current installments of long-term debt (note 3)	291,730	106,573
Accounts payable	1,367,577	722,518
Accrued expenses	438,061	152,504
Income taxes payable	524,026	88,351
Total current liabilities	3,146,394	1,569,946
Deferred income taxes (note 5)	140,287	81,743
Long-term debt, excluding current installments (note 3)	1,014,285	202,975
Stockholders' equity:		
Common stock of $.05 par value per share. Authorized 4,000,000 shares; issued 1,250,000 shares (note 6)	62,500	62,500
Additional paid-in capital	908,668	908,668
Retained earnings	3,911,152	2,852,727
	4,882,320	3,823,895
Less cost of 7,500 common shares in treasury	34,188	—
Total stockholders' equity	4,848,132	3,823,895
Commitments (note 8).		
	$9,149,098	$5,678,559

Consolidated Statements of Earnings and Retained Earnings

Years ended June 30, 1974 and 1973

	1974	1973
Net sales	$15,891,036	$10,641,922
Cost of sales	11,982,831	8,316,935
Gross profit	3,908,205	2,324,987
Selling, administrative and general expenses	1,882,513	1,411,684
Operating income	2,025,692	913,303
Other deductions (income), net:		
Interest expense	128,559	31,915
Canadian exchange	(43,566)	12,949
Miscellaneous income	(5,801)	(4,835)
Total other deductions, net	79,192	40,029
Earnings before income taxes	1,946,500	873,274
Income taxes (note 5)	888,075	354,017
Net earnings	1,058,425	519,257
Retained earnings at beginning of year	2,852,727	2,333,470
Retained earnings at end of year	$ 3,911,152	$ 2,852,727
Earnings per common share (based on average shares outstanding)	$.85	$.42

See accompanying notes to consolidated financial statements.

C. H. Heist Corp. and Subsidiaries

Consolidated Statements of Changes in Financial Position

Years ended June 30, 1974 and 1973

	1974	1973
Funds provided:		
Net earnings	$1,058,425	$ 519,257
Add charges against earnings not requiring funds:		
Depreciation	762,258	513,211
Provision for deferred income taxes (note 5)	58,806	38,833
Amortization of organization expense	520	344
Funds derived from operations	1,880,009	1,071,645
Additions to long-term debt	1,075,167	44,746
Decrease in working capital	23,126	456,427
	$2,978,302	$1,572,818
Funds used:		
Additions to property, plant and equipment	2,674,095	1,437,337
Current installments and repayment of long-term debt	263,857	131,101
Purchase of treasury stock	34,188	—
Other	6,162	4,380
	$2,978,302	$1,572,818
Changes in working capital:		
Increase (decrease) in current assets:		
Cash	(213,639)	90,500
Receivables	1,451,096	162,319
Services in progress	139,044	(10,350)
Parts and supplies	130,847	58,510
Prepaid expenses	45,974	(4,868)
	1,553,322	296,111
Increase in current liabilities:		
Notes payable	25,000	500,000
Current installments of long-term debt	185,157	18,565
Accounts payable	645,059	171,766
Accrued expenses	285,557	15,201
Income taxes payable	435,675	47,006
	1,576,448	752,538
Decrease in working capital	$ 23,126	$ 456,427

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of C. H. Heist Corp. and its subsidiaries, all of which are wholly-owned and located in the United States, Canada or Puerto Rico. All significant inter-company balances and transactions have been eliminated in consolidation.

(b) Canadian Exchange

Assets and liabilities of the Canadian subsidiaries are translated into U.S. dollars at rates of exchange in effect at the end of the year except that property, plant and equipment and related depreciation and other noncurrent assets and liabilities are translated at historical rates. Income and expense items, except for depreciation and amortization, are translated at the average rates of exchange prevailing during the year. Gain or loss from Canadian exchange is credited or charged to operations.

(c) Services in Progress

Sales are recognized on a progress basis as services are performed. Income from services in progress, but not yet billed as of the end of the fiscal year, has been recognized to the extent of amounts billable to that date. Anticipated losses, if any, are provided for in full.

(d) Property, Plant and Equipment

Depreciation of plant and equipment is provided over the estimated useful lives of the respective assets on the straight-line or declining-balance methods. Leasehold improvements are depreciated on the straight-line method over the terms of the respective leases. The cost and accumulated depreciation for assets sold or otherwise disposed of are eliminated from the accounts and any resulting gain or loss is recognized in operations. Maintenance and repairs are charged directly to operations as incurred; major improvements and renewals are capitalized.

(e) Income Taxes

No provision is made for income taxes which would be payable if undistributed earnings of subsidiaries were paid as dividends to the parent company inasmuch as such earnings have been indefinitely invested in the subsidiaries' businesses. Investment credits are recorded as a reduction of the provision for income taxes in the year realized.

(2) Property, Plant and Equipment

A summary of property, plant and equipment follows:

	June 30, 1974	1973
Cost:		
Land	$ 99,399	$ 82,607
Buildings	188,147	139,321
Machinery and Equipment	4,452,126	3,074,678
Automotive equipment	2,375,245	1,481,242
Airplane	421,087	403,156
Office furniture and equipment	68,698	51,851
Leasehold improvements	100,960	74,361
	7,705,662	5,307,216
Less accumulated depreciation	2,662,059	2,175,450
	$5,043,603	$3,131,766

A summary of depreciation expense by method follows:

	Year ended June 30, 1974	1973
Straight-line method	$ 590,270	$ 289,872
Declining-balance method	171,988	223,339
	$ 762,258	$ 513,211

(3) Notes Payable and Long-term Debt

Current notes payable to bank at June 30, 1974 reflect borrowings under an unsecured $1,000,000 line of credit. Maximum short-term borrowings during 1974 and 1973 were $1,525,000 and $500,000, respectively. The approximate daily weighted average of current notes payable was $862,000 in 1974 and $40,000 in 1973, and the weighted average interest rates for such years were approximately 10.5% and 8.40%.

A summary of long-term debt follows:

	June 30, 1974	1973
Note payable to bank in monthly principal installments of $16,667, plus interest at 1% over the prime rate	$1,000,000*	—
Note payable to bank in monthly principal installments of $4,300, plus interest at 1½% over the prime rate; secured by airplane (new note in 1974)	186,470	154,348
Unsecured notes payable to bank in monthly principal installments of $3,000, plus interest at ½% over the prime rate	63,000	99,000
Mortgage payable to a bank (net of escrow balance) in monthly installments of $238, including interest at 8%; secured by land and a building	28,417	28,439
Equipment loans payable in monthly installments of $2,084 in 1974 and $1,544 in 1973, including interest	28,128	27,761
Total long-term debt	1,306,015	309,548
Less current installments of long-term debt	291,730	106,573
Long-term debt, excluding current installments	$1,014,285	$202,975

*The agreement underlying this note provides, among other things, that the Company maintain consolidated working capital of $400,000 and that total consolidated liabilities not exceed 90% of stockholders' equity.

The amounts of long-term debt maturing in the next five years are: $291,730 in 1975; $285,387 in 1976; $258,280 in 1977; $228,105 in 1978 and $200,790 in 1979.

(4) Foreign Operations

A summary of assets, liabilities and net earnings of the Company's Canadian subsidiaries follows:

	1974	*1973*
At June 30:		
Assets	$2,913,238	$1,878,481
Liabilities	1,468,986	738,885
Net earnings for the year ended June 30	304,656	101,712

(5) Income Taxes

Income tax expense for the years ended June 30 consists of the following:

1974	*Federal*	*Canadian and Puerto Rico*	*State and local*	*Total*
Current	$470,000	$257,572	$101,697	$829,269
Deferred	(11,000)	69,806	—	58,806
	$459,000	$327,378	$101,697	$888,075
1973				
Current	$185,000	$111,534	$ 18,650	$315,184
Deferred	(3,245)	42,078	—	38,833
	$181,755	$153,612	$ 18,650	$354,017

Deferred taxes result from timing differences in the recognition of certain expenses for tax and financial statement purposes, including $69,806 and $42,078 from depreciation in 1974 and 1973 less $24,000 from provision for doubtful receivables in 1974.

The reconciliation of total income taxes provided in the consolidated statement of earnings and retained earnings and the amounts computed by applying the Federal income tax rate of 48% to earnings before income taxes is as follows:

	Year ended June 30, *1974*	*1973*
Earnings before income taxes	$1,946,500	$873,274
Income taxes computed at Federal statutory rate	934,320	419,172
Increases (reductions) resulting from:		
Investment tax credits on equipment acquisitions	(93,765)	(63,758)
State and local income taxes, net of Federal income tax benefit	52,882	9,698
Other	(5,362)	(11,095)
Provision for income taxes	$ 888,075	$354,017

Unremitted earnings of subsidiaries for which income taxes have not been accrued amounted to approximately $1,745,000 and $1,364,000 at June 30, 1974 and 1973, respectively.

(6) Stock Option Plan and Warrants

The Company has a qualified stock option plan, which expires on May 31, 1981, under which key employees may be granted options to purchase, in the aggregate, a maximum of 42,000 shares of common stock. Options granted under the plan must be at a price not less than the fair market value at the date of grant, and must be exercised within a period not in excess of five years.

At June 30, 1974 options for 13,500 shares were outstanding, exercisable in equal annual installments from 1974 to 1977, at a price of $5.50 per share or an aggregate of $74,250, the market value at date of grant. Options for 15,000 shares were granted in fiscal 1973, 1,500 shares were cancelled during fiscal 1974, none expired during the year and 3,375 shares were exercisable at June 30, 1974. The market value at the date such shares became exercisable was $4.38 or an aggregate of $14,782.

Warrants for 15,000 shares of common stock are outstanding and are exercisable at a price of $8.40 per share on or prior to December 15, 1976.

(7) Profit Sharing Plans

The Company and its subsidiaries have deferred profit sharing plans covering employees meeting eligibility requirements. Contributions to the plans are based on net profits, as defined, subject to certain limitations based on the salaries of the participants. Contributions for the years ended June 30, 1974 and 1973 were $91,682 and $69,392, respectively.

(8) Commitments

The Company and its subsidiaries occupy certain properties under operating lease arrangements. Rent expense under such arrangements amounted to $114,800 in 1974 and $88,000 in 1973, of which amounts $61,700 applied to leases with affiliated persons. Capitalization of leases with affiliated persons would not have significantly influenced net income nor materially affected the balance sheet.

A summary of noncancellable long-term property lease commitments follows:

Year ending June 30,	*Minimum annual amount* *Affiliated persons*	*Others*
1975	$ 52,700	37,700
1976	52,700	17,000
1977	50,700	3,000
1978	50,000	1,500
1979	31,000	—
1980-81	17,300 - 12,000	—
1982-87	6,800 - 3,700	—

All leases expire prior to 1988. Real estate taxes, insurance and maintenance expenses are obligations of the Company. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum lease commitments will not be less than the amounts shown for 1975.

Accountants' Report

The Board of Directors
C. H. Heist Corp.:

We have examined the consolidated balance sheets of C. H. Heist Corp. and subsidiaries as of June 30, 1974 and 1973, and the related consolidated statements of earnings and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of C. H. Heist Corp. and subsidiaries at June 30, 1974 and 1973, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Buffalo, N.Y.
August 13, 1974

Five Year Statisical Review

Years ended June 30,

	1974	1973	1972	1971	1970
Net Sales	$15,891,000	$10,642,000	$ 8,749,000	$ 7,240,000	$ 6,075,000
Hydrocleaning	60%	60%	58%	63%	61%
Sandblasting and Painting	32%	34%	40%	37%	39%
Wet and Dry Vacuum	8%	6%	2%	—	—
Earnings Before Taxes[1]	1,947,000	873,000	730,000	810,000	418,000
Effective Tax Rate[1]	45.6%	40.5%	37.0%	47.6%	40.2%
Net Earnings	1,058,000	519,000	460,000	425,000	250,000[9]
Depreciation and Amortization	763,000	514,000	423,000	345,000	289,000
Cash Flow from Operations[2]	1,821,000	1,072,000	896,000	778,000	540,000
Capital Expenditures	2,674,000	1,437,000	933,000	867,000	446,000
Earnings Per Share[3]	$ .85	$ .42	$ .39	$ .39	$ .23[9]
Current Assets	4,083,000	2,529,000	2,233,000	1,758,000	1,366,000
Quick Assets[4]	3,211,000	1,974,000	1,918,000	1,501,000	1,101,000
Current Liabilities	3,146,000	1,570,000	817,000	895,000	633,000
Working Capital	937,000	959,000	1,416,000	863,000	733,000
Property, Plant and Equipment—at cost	7,706,000	5,307,000	3,966,000	3,151,000	2,291,000
Net Property, Plant and Equipment	5,044,000	3,132,000	2,208,000	1,698,000	1,176,000
Total Assets	9,149,000	5,679,000	4,455,000	3,459,000	2,547,000
Short-Term Debt[5]	817,000	607,000	88,000	206,000	144,000
Long-Term Debt[5]	1,014,000	203,000	289,000	594,000	378,000
Stockholders' Equity	4,848,000	3,824,000	3,304,000	1,961,000	1,537,000
Net Earnings/Beginning Stockholders' Equity	27.7%	15.7%	23.5%	27.6%	19.7%
Earnings Before Taxes/Sales[1]	12.3%	8.2%	8.3%	11.2%	6.9%
Net Earnings/Sales	6.7%	4.9%	5.2%	5.8%	4.1%
Cash Flow from Operations/Sales	11.5%	10.1%	10.2%	10.7%	8.8%
Quick Ratio[6]	1.0-1	1.26-1	2.3-1	1.7-1	1.7-1
Long-Term Debt/Stockholders' Equity	20.9%	5.3%	8.7%	30.3%	24.6%
Long-Term Debt/Total Capitalization	17.3%	5.0%	8.0%	23.2%	19.7%
Price Range of Common Stock[7]	3½-5	3-6½	4¼-8¾	6-6¾	—
Price/Earnings Ratio[8]	4.7x	10.7x	13.5x	—	—
Stockholders' Equity Per Share	$3.90	$3.06	$2.64	$1.78	$1.40
Average Number of Employees	712	521	463	N.A.	N.A.
Number of Area Offices at Year End	24	23	15	14	13
Number of Plants Serviced	942	852	778	657	559

Footnotes to Five Year Statistical Review:

1. The minor variance in figures reported for years prior to 1974 reflect the reclassification of certain state taxes from G&A to income taxes. For the years 1973, 1972, 1971 and 1970, the amounts reclassified amounted to $18,650, $16,231, $14,039, $12,209, respectively.
2. Defined as Net Earnings plus Depreciation and Amortization.
3. Based upon average shares outstanding for each period—1974—1,245,625; 1973—1,250,000; 1972—1,187,500; 1971—1,100,000 and 1970—1,100,000.
4. Defined as cash and accounts receivable (net of allowance).
5. Short-term debt includes current portion of long-term debt; long-term debt is net of current portion.
6. Defined as quick assets/current liabilities. The more commonly used current ratio is not included for the reason that inventories, or their counterpart, are insignificant in the business of C. H. Heist Corp.
7. High and low bid prices, as supplied by National Quotation Bureau, Incorporated.
8. Determined as at June 30, and based on the high bid price.
9. Includes extraordinary income of $19,000, or $.02 per share.

Officers and Directors

C. H. Heist
President and Chairman of Board of Directors

Willard F. Foster
Executive Vice President and Director

Richard J. O'Neil
Treasurer and Director

Andrew R. Crowe
Vice President and Executive Vice President of Canadian Subsidiaries

Samuel A. Pinckney
Vice President–Sales

Louis Borins
Vice President–Legal and Director

Isador Snitzer
Secretary

James J. Oddy
Director
Retired; formerly Senior Vice President
Manufacturers and Traders Trust Company
Buffalo, New York

Chauncey D. Leake, Jr.
Director
Vice President,
Moseley, Hallgarten & Estabrook, Inc.
New York, New York

F. Kenneth Iverson
Director
President, Nucor Corporation
Charlotte, North Carolina

Auditors
Peat, Marwick, Mitchell & Co.

General Counsel
Borins, Halpern, Snitzer, Levy, Fradin & Loonsk

Special Counsel
Borden & Ball

Transfer Agent and Registrar
First Union National Bank of North Carolina
Charlotte, North Carolina

Executive Offices
1701 Northwestern Bank Building
Asheville, North Carolina 28801
(704) 254-8846

Canadian Headquarters
Toronto, Ontario

Administrative Office and Manufacturing
Buffalo, New York

Subsidiaries
Hydro-Tech Corp.
C. H. Heist Caribe Corp.
C. H. Heist Canada, Ltd.
C. H. Heist Industrial Services Canada, Ltd.
C. H. Heist, Limitée

Regional Offices
Cleveland, Ohio
Houston, Texas
Parkersburg, West Virginia

Area Offices
Ashtabula, Ohio
Baltimore, Maryland
Birmingham, Alabama
Chicago, Illinois
Charleston, West Virginia
Cincinnati, Ohio
Cleveland, Ohio
Corpus Christi, Texas
Hamilton, Ontario
Joliet, Illinois
Lima, Ohio
Marietta, Ohio
Montreal, Quebec
Pasadena, Texas
Pittsburgh, Pennsylvania
Ponce, Puerto Rico
Port Neches, Texas
St. Croix, U.S. Virgin Islands
Sarnia, Ontario
Sudbury, Ontario
Texas City, Texas
Tonawanda, New York
Toledo, Ohio
Wilmington, Delaware

The Company files an Annual Report on Form 10-K with the Securities and Exchange Commission. If you desire a copy, write to Richard J. O'Neil, Treasurer, at Corporate Headquarters.

C. H. Heist Corp. Quarterly Record

($000 omitted)
Fiscal Year—June 30

Quarter	1 Ended September 30		2 Ended December 31		3 Ended March 31		4 Ended June 30		Full Year	
Fiscal 1975										
Net Sales	$		$		$		$		$	
Earnings Before Taxes		%		%		%		%		%
Provision for Taxes		%		%		%		%		%
Net Earnings		%		%		%		%		%
Earnings Per Share	$		$		$		$		$	
EPS—Last 12 months	$		$		$		$		$	
Fiscal 1974										
Net Sales	$3,833		$3,718		$3,379		$4,961		$15,891	
Earnings Before Taxes	494	12.9%	365	9.8%	306	9.1%	782	15.8%	1,947	12.2%
Provision for Taxes	241	48.7%	126	34.5%	131	42.8%	390	49.9%	888	45.6%
Net Earnings	253	6.6%	239	6.6%	175	5.2%	391	7.9%	1,058	6.7%
Earnings Per Share	$ .20		$ .19		$ .14		$ .32		$ .85	
EPS—Last 12 months	$ .48		$ .53		$ .66		$ .85		$ .85	
Fiscal 1973										
Net Sales	$2,720		$2,778		$2,052		$3,092		$10,642	
Earnings Before Taxes	323	11.9%	274	9.9%	3	.15%	273	8.8%	873	8.2%
Provision for Taxes	148	45.8%	98	35.8%	(10)	—	118	43.2%	354	40.5%
Net Earnings	175	6.4%	177	6.4%	13	.63%	155	5.0%	519	4.9%
Earnings Per Share	$ .14		$ .14		$.01		$ .13		$ .42	
EPS—Last 12 months	$ .41		$ .48		$.49		$ .42		$ .42	

Comment: In order to assist our stockholders and other members of the financial community in following our progress, this simplified chart has been included, with blank spaces provided for the current 1975 fiscal year. We placed it on the rear cover to facilitate reference.

The percentages indicate the pre-tax margin (earnings before taxes ÷ net sales), the effective tax rate (provision for taxes ÷ earnings before taxes) and the after tax margin (net earnings ÷ net sales). EPS for the last 12 months is calculated by adding the Earnings Per Share for the last four consecutive quarters.

HEIST